

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE Assembly Member Mervyn Dymally, Chair

TUESDAY, MAY 2, 2006
STATE CAPITOL, ROOM 444
9:30 AM

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ITEMS TO BE HEARD

0558 OFFICE OF THE SECRETARY FOR EDUCATION

ISSUE 1: STATE OPERATIONS AUGMENTATIONS, ADJUSTMENTS

The issues for the subcommittee to consider are various augmentations and adjustments to the budget of the Office of the Secretary for Education (OSE).

BACKGROUND:

Governor's budget. The Governor's budget includes the following two new positions within the Office of the Secretary for Education:

- **Proposition 49 Task Force.** \$95,000 General Fund to support a position to represent the Secretary for Education at the Proposition 49 Task Force, which was convened by the Governor's office, the Secretary for Education, CDE and the Department of Finance to ensure that the Proposition 49 funds are distributed in a timely and effective manner through the development of a statewide master plan. The position would participate in task force meetings, coordinate regional summits of after school providers and stakeholders conduct field outreach and assist in policy analysis and development.
- **NCLB position.** \$100,000 federal funds and a position to address the growing workload associated with the accountability requirements of the No Child Left Behind Act (NCLB). The position will also address a request by the Governor for the Secretary of Education and the State Board of Education to work with the SPI and the U.S. Department of Education to bring the federal and state accountability systems into alignment, in order to target assistance to the most struggling schools.

COMMENT:

April DOF letter. In an April letter from DOF amending the January 10 budget, DOF makes a technical change to the funding for the Proposition 49 Task Force position. It proposes an adjustment to reduce the General Fund appropriation level and replace it with reimbursement authority, to expend funds received from CDE to provide staff support for the task force.

4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 1: EARLY MENTAL HEALTH INITIATIVE

The issue for the subcommittee to consider is an issue heard by Subcommittee #1 but left open: the proposed funding level for the Early Mental Health Initiative, which is administered by the Department of Mental Health, but is funded with Proposition 98 funds.

BACKGROUND:

Governor's budget. The Governor's budget proposes \$10 million for the Early Mental Health Initiative in the 2006-07 fiscal year, the same as for the 2005-06 fiscal year. The budget provides enough funding for existing grantees, but does not provide enough funding for new grants.

Background on program. AB 1650 (Hansen) Chapter 757, Statutes of 1991, authorized the School-Based Early Mental Health Intervention and Prevention Services for Children Act, known as the Early Mental Health Initiative (EMHI). EMHI allows the DMH to award matching grants to local education agencies (LEAs) defined as school districts, county offices of education, or state special schools to implement, expand, or modify early mental health intervention and prevention programs. The grant funding is provided for one, three-year cycle. EMHI funded programs must be based at publicly-funded elementary schools and provide services to students in kindergarten through third grade (K-3) experiencing mild to moderate school adjustment difficulties. Students participating in an EMHI-funded program are typically assigned to a trained and supervised child aide. The child aide provides program services to the student once a week during regular school days for 30 to 40 minutes for approximately 12 to 15 weeks in an activity room.

The goals of the initiative and subsequent legislation are to enhance the social and emotional development of young students, increase the likelihood that students experiencing mild to moderate school adjustment difficulties will succeed in school, increase their personal competencies related to life success, and minimize the need for more intensive and costly services, as they grow older. By allocating matching fiscal support for the first three years of the LEA's early mental health intervention and prevention program, EMHI provides an opportunity for the LEAs working with cooperating mental health entities, such as local mental health programs or private nonprofit agencies, to implement school-based programs which enhance the school adjustment, mental health, and social/emotional development of students.

COMMENT:

Advocates are requesting that the Legislature augment the program by \$5 million to provide funding for new grants. Since grants are for three years, the addition of \$5 million in funding would allow EMHI to return to a consistent cycle where approximately one-third of the programs come off the funding every third year. This cycle allows new grants to be added every year as part of the ongoing cycle. The tables below provide detail on the Governor's proposed budget, and the advocates' request.

Existing Breakdown for FY 06- 07 with no additional funds (total of \$10 million)

	1st year grants for those beginning in FY 06-07	2nd year grants for those who began in FY 05-06	3rd year grants for those who began in FY 04-05	Total
Funding	No new funds	\$5 million	\$5 million	
Grants	0	51	52	103
Sites	0	150	159	309
# children served	0	Approx 5273	Approx. 5273	Approx 10,546

- Current expenditures of \$10 million for current program.

Breakdown with additional 1st year funding of \$5 million (e.g. if \$5million were added to FY 06-07 budget for total of \$15 million)

	1st year grants for those beginning in FY 06-07	2nd year grants for those who began in FY 05-06	3rd year grants for those who began in FY 04-05	Total
Funding	\$5 million	\$5 million	\$5 million	
Grants	50	51	52	153
Sites	150	150	159	459
# served	Approx 5273	Approx. 5273	Approx. 5273	Approx 15,819

6110 DEPARTMENT OF EDUCATION**ISSUE 1: CHARTER SCHOOL CATEGORICAL BLOCK GRANT**

The issue for the subcommittee to consider is the Governor's proposed augmentation for the charter school categorical block grant, pursuant to legislation passed last year that changed the formula.

BACKGROUND:

Governor's budget. The Governor proposes an increase of \$36 million in funding for the charter school categorical block grant, for a total funding level of \$103.8 million. The charter school categorical block grant is intended to provide charter schools with an amount of categorical funding similar to what non-charter schools receive. The proposed increase is intended to fund an increase in the funding rate, as required by Chapter 359, Statutes of 2005 (AB 740 (Huff)), which included reforms to the formula for calculating the categorical block grant.

Background on program. The original charter school categorical block grant was created several years ago, to address an inequity in funding between charter schools and non-charter schools, due to the fact that charter schools' exemption from the state Education Code prevented them from applying for or receiving funds from various categorical programs (such as instructional materials). To address this problem, several years ago the Legislature adopted trailer bill language creating a block grant intended to provide charter schools with an amount of categorical funding comparable to what non-charter schools receive. The old formula for calculating the block grant provided an amount of funding per charter school ADA. It provided for an annual calculation that considered the budgeted levels of various categorical programs, and attempted to match the level of the amount per charter school ADA to the budgeted levels of those overall programs.

There were continuous discrepancies between advocates, the LAO and DOF, over the results of the old formula, mostly due to disputes about which programs should be included in the calculation. Two years ago, the Legislature suspended the original formula, after years of disputes over the results of the formula. Last year's legislation attempted to create some transparency in the formula, by changing and clarifying categorical programs from which charter schools are prohibited from receiving funding. Last year's legislation also clarified the formula by creating a specific per-ADA rate in statute, instead of linking the per-ADA rate to an annual calculation based on the budgeted levels of specific programs. The table below summarizes the block grant amount per charter school ADA under the old formula, and the target amounts that are specified under the new law.

**Charter school categorical block grant: amounts provided per charter school
ADA under the old formula and the new legislation**

Calculation under the old formula (1)	Target rates specified in Chapter 359/2005.	
	2006-07	2007-08
2005-06		
\$267	\$400	\$500

(1) Technically, the formula was suspended in 2005-06. The amount listed is the amount calculated in 2004-05, adjusted for COLA.

The legislation establishes targets for increasing the rate to \$400 per charter school ADA in 2006-07, and to \$500 per charter school ADA in 2007-08. For 2005-06, the charter school categorical block grant amount was approximately \$267 per charter school ADA.

COMMENTS:

The LAO will be available at today's hearing to answer any questions about the new formula.

ISSUE 2: CHARTER FACILITIES GRANT PROGRAM

The issue for the subcommittee to consider is the Governor's proposal to continue funding for the charter school facilities grant program.

BACKGROUND:

The Governor's budget. The Governor's budget proposes to continue the \$9 million in one-time Proposition 98 Reversion Account funding provided in last year's budget for this program, which provides funding to charter schools in low-income areas, to pay for leasing costs when these charter schools are unable to secure non-leased buildings. The budget proposes to fund this amount with one-time Proposition 98 Reversion Account funding, like last year.

Background on program. The Charter School Facilities Grant Program reimburses selected charter schools for the costs of renting and leasing classroom buildings. It was created in 2001 by SB 740 (O'Connell) as part of a package of reforms to increase accountability and lower funding for non-classroom-based charter schools. Those reforms also created this program to reimburse charters serving economically disadvantaged children for their facilities' costs. To participate, a charter must either:

- 1) Located within the attendance area of an elementary school serving 70+ percent students who qualify for free or reduced-priced lunches, and the school site gives a preference in admissions to pupils who are currently enrolled in that public elementary school and to pupils who reside in the elementary school attendance area where the charter school site is located, and/or
- 2) Have 70+ percent of its students eligible for free or reduced-priced lunches.

The original legislation contained intent language that the program be funded at the level of \$10 million a year each for the 2001-02, 2002-03, and 2003-04 years.

COMMENTS:

History of funding. Last year, the Governor's January 10 budget did not include funding for this program, but the Governor later added \$9 million in the May Revise, which the Legislature approved. As noted above, the authorizing legislation contained intent language to fund the program at \$10 million for three years, beginning in 2001-02. While the state provided \$10 million for the 2001-02 fiscal year, this amount was later eliminated due to mid-year cuts and program reversions. It later provided \$10 million for the program in 2002-03, \$7.7 million in 2003-04, and \$7.7 million in 2004-05.

ISSUE 3: NEW BLOCK GRANTS FOR ARTS AND MUSIC

The issue for the subcommittee to consider is a new block grant proposed by the Governor to support arts and music in grades K-8.

BACKGROUND:

Governor's budget. The Governor proposes \$100 million in ongoing Proposition 98 funding for a new block grant to support standards-aligned art and music instruction. Funding would go to school districts, charter schools, and county offices of education serving grades K-8. Funding would be distributed at a rate of \$20 per pupil, with a minimum of \$3,000 per schoolsite for sites with ten or fewer students, and a minimum of \$5,000 per schoolsite for sites with more than ten students. Under the Governor's proposal, participating schools can spend the funding on any of the following:

- hiring additional staff,
- purchasing new materials, books, supplies or equipment,
- implementing or increasing staff development, as necessary to support standards-aligned arts and music instruction.

COMMENTS:

LAO recommendation. LAO recommends rejecting this proposal, along with six other new programs proposed by the Governor. The LAO cites other problems as meriting more attention from the budget, and recommends redirecting funds from the Governor's seven new programs to a fiscal solvency block grant to help districts address their financial problems. The LAO also notes that the new proposals lack detail or address problems that are not well-defined. In particular, the LAO notes that the new art and music block grant is based on the belief that the number of music and art courses in elementary and middle schools has been drastically reduced in recent years. To quote the LAO's Analysis of the Budget, "The data for middle schools, however, show that the number of art and music courses has stayed virtually constant since 2001-02."

ISSUE 4: CONTROL SECTION 24.30

The issues for the subcommittee to consider are:

- the proposed continuation of a control section that transfers income from the State Relocatable Classroom program to the General Fund, and
- a proposed addition to the control section that would also transfer funds from the Migrant Housing Program to the General Fund.

BACKGROUND:

Governor's budget. The Governor's budget proposes to continue a control section that allows DOF to transfer rental income from the State Relocatable Classroom Program to the General Fund. For the 2006-07 fiscal year, the Governor's budget assumes that \$14.25 million will be transferred out of the State Relocatable Classroom Program, leaving \$10.9 million to cover the costs of the program (\$9.2 million for program local assistance costs, \$234,000 for state operations costs related to administering the program and \$1.5 million to repay bond funds that were used for the program in the past). The Governor's budget also adds a provision to the control section to transfer unencumbered funds from the Migrant Housing Program to the General Fund. According to the administration, the Migrant Housing Program has been inactive for several years, because the needs of districts serving migrant students have been addressed by other state school facility programs. The budget assumes transfer of approximately \$3.4 million from the Migrant Housing Program to the General Fund for the 2006-07 fiscal year.

SAB's authority over the funds conflicts with the control section. Both the State Relocatable Classroom program (which leases portables to school districts) and the Migrant Housing Program are governed by the State Allocation Board (SAB). As such, the SAB is responsible for maintaining both programs. SAB has determined that the control section conflicts with its authority over the State Relocatable Classroom program. In addition, it has administrative costs related to administering the State Relocatable Classroom program, and needs the rental income from the program to pay for these costs.

At its August 24, 2005 meeting, the SAB adopted a resolution stating its intent to retain all 2006-07 lease revenues from the State Relocatable Classroom Program for the operation of the program and for any decisions the SAB makes on the future of the program. In addition, SAB stated its intent to consider utilizing excess revenues not needed for the operation of the State Relocatable Classroom Program for other uses in the State Facilities Program. The SAB also declared its intent to allow the funds from the Migrant Housing Program to remain with the program or seek legislation to allow the transfer of the funds to other facilities program.

COMMENTS:

Last year, the administration proposed a change to the provisions of the control section relating to transfers from the State Relocatable Classroom program. Those changes specified that DOF could determine the amount of revenues to be transferred out of the program to the General Fund. The 2006 final budget contained DOF's changes.

ISSUE 5: CDE STATE OPERATIONS

The issues for the subcommittee to consider are various workload and policy adjustments to CDE's state operations.

BACKGROUND:

Adjustments to address current workload or upgrade current systems. The Governor's budget includes the following technical adjustments to CDE's budget, which have not been heard to date.

1. **Alternative Payment Monitoring Unit.** Upgrade a 0.5 office assistant position to 1 office technician to help CDE maintain a database in the Alternative Payment Monitoring Unit. The Budget Act of 2004 created the unit to track funding errors within a statewide childcare program.
2. **Data collection for reauthorized special education law.** Provide \$288,000 in federal funds and establish 3 information technology positions to meet new statewide reporting and accountability requirements under the reauthorized federal special education law (2004 IDEA). (According to CDE, there is an FSR for a new data system. DOF has not funded the operations costs of that new FSR.)
3. **Career Technical Education accountability system.** Provide \$63,000 in federal Perkins funds and \$107,000 in CalWORKs reimbursement funds to allow CDE to properly staff the collection and management of a comprehensive accountability system for career technical education. The budget also proposes to make two existing limited-term positions permanent within the unit that manages career technical education programs. Current law requires CDE to collect data from adult education programs, regional occupational centers and programs (ROC/P's), and high schools on their career technical education programs.
4. **Child Nutrition Information and Payment System.** Provide \$3.2 million in federal funds and 7.8 limited-term positions to begin implementation of an information technology system to administer four federal Department of Agriculture programs: School Nutrition, Child and Adult Care Food, Summer Food and Food Distribution. CDE distributes \$1.4 billion a year in federal funds for nutrition claims through the above 4 programs, yet its existing systems for distributing the funds are 15-20 years old and use technology no longer supported by the vendor community. The new system will be web-based and will utilize off-the-shelf software and hardware. DOF approved the feasibility study report for the system on March 22, 2005, so the system is ready for implementation.

5. **Permanent establishment of 2 facilities planning positions.** Convert two limited-term positions in the School Facilities Planning Division (due to expire June 30, 2006) to permanent status. CDE cites increased workload due to new facilities laws approved in the last 5 years.

Adjustment related to phase-out of II/USP. The Governor's January 10 budget eliminates 13.5 positions and makes a corresponding reduction of \$1.6 million General Fund, to reflect the phase-out of the Immediate Intervention in Underperforming School Program (II/USP). The administration indicates that it proposed to delete these positions and funding because it understood them to be directly related to administering the old program. CDE indicates that the proposed reduction is very problematic because it includes staff dedicated to computing schools' and districts' academic performance index (API), which is an integral part of the state's accountability system. The administration indicates that it will re-evaluate the proposal as part of its May Revise.

Adjustments related to recent legislation or Governor's policy initiatives. The Governor's budget reflects the following state operations adjustments related to recent legislation or the Governor's policy initiatives. The subcommittee has already heard the local assistance augmentations related to these proposals, and held them open.

1. **California Fresh Start Pilot Program** – The Governor's January 10 budget provided an increase of \$100,000 in General Fund and one position to implement the California Fresh Start Pilot Program to increase the availability of fruits and vegetables in subsidized school breakfasts. In addition, an April DOF letter augments this initial increase by \$74,000, and also makes permanent two positions that were authorized through last year's budget for the program. This proposal is linked to the Governor's proposal to provide \$18.2 million in local assistance funds to make this one-time program permanent. The program was created by SB 281 (Maldonado), Chapter
2. **Nutrition Standards for Non-School-Meal food.** Provides \$100,000 GF, \$200,000 in other funds and one position to implement SB 12 (Escutia), Chapter 235/2005. SB 12 sets nutrition standards for food sold outside the federal school meal programs during the school day at all elementary through high school campuses, effective July 1, 2007. The position will monitor local compliance with the new law.
3. **Chief Business Official Training Program.** Provides \$78,000 General Fund and one position to administer the new Chief Business Official Training Program. The program was created by Chapter 356, Statutes of 2005 (SB 352 (Scott)) to create a program for school districts and county offices of education to send their CBO's or CBO candidates to for 200 hours of training. The position will work to develop criteria for the approval of state-approved training providers, developing an application process and reviewing applications. The Governor also proposes a corresponding amount of \$1 million in local assistance to implement the

program – the subcommittee heard this issue at an earlier hearing and left the item open.

4. **Career-Technical Education Program.** Provides \$193,000 in federal Carl Perkins funds and 2 limited-term positions to implement a career technical program that was created last year pursuant to Chapter 352, Statutes of 2005 (SB 70 (Scott)). The Governor's budget proposes to add these two positions and the corresponding funding for the current year (2005-06) and 2006-07. Although the corresponding local assistance for this program flows through the community colleges, the proposed positions within CDE would a) oversee the alignment of career technical education curriculum in K-12 schools and community colleges to more targeted industry-driven programs, b) analyze and review curriculum and c) prepare required reports. Last year's budget contained \$20 million in local assistance to the community colleges for this program. The Governor's proposed budget for 2006-07 contains \$50 million for the new program, which the subcommittee heard but has not acted on to date.

COMMENT:

Staff notes that the federal budget cuts will result in a serious reduction in the federal funds CDE uses to support its state operations. The April DOF letter (see issue below) reflects a reduction of over \$2 million in federal funds for CDE state operations.

Additional CDE state operations issues in need of attention, per CDE: CDE notes the following state operations issues that it believes are in need of attention. The administration notes that it is looking at these issues as part of the May Revise.

- **Special Education** – CDE projects that state-level expenditures for special education exceed federal grant funds available for this purpose, resulting in a projected deficit of \$3.1 million. It cites the largest single reason for the deficit as the use of \$1.8 million in one-time carryover to support these functions in 2005-06. The one-time funds are no longer available. It proposes a number of options for shifting currently-funded activities to non-Proposition 98 General Fund.
- **American Indian Education Centers** – CDE is requesting an additional 1.5 positions and \$187,000 General Fund to address concerns raised by an audit of CDE's administration of Indian Education Centers.
- **CAHSEE** --- CDE is requesting 1.5 positions to administer the existing supplemental instruction program for seniors that have not passed the CAHSEE, and to implement current law giving special education students in the class of 2006 an exemption from the requirement that they pass it to obtain a diploma. It also requests additional funding for the legal defense of the exam.
- **Title II** – CDE notes that a recent federal monitoring visit found that CDE needs to increase the amount of federal Title II funding that it spends on state level

activities. (Federal Title II funds are given to states to address teacher training and teacher quality issues.) Specifically, CDE has proposed \$2.4 million to establish a technical assistance network within the 11 county superintendents' regions. The technical assistance is intended to increase the number of highly qualified teachers pursuant to the requirements of NCLB. CDE also proposes \$400,000 for three new positions to help with the technical assistance effort. (There is also \$7.6 million in one-time carryover funds that the administration is considering for May Revise.)

- **Accountability** – In addition to restoration of some of the 13.5 positions deleted in January for II/USP, CDE is requesting funding to help its oversight efforts related to II/USP and HP grantees that have failed to improve. It also requests \$1 million for an evaluation of its sanctions approach, including the use of the state intervention and assistance teams.
- **Translations** – CDE is requesting the continuation of \$400,000 that was provided last year for CDE to translate parental documents into other languages. (Two years ago, the subcommittee approved funding for the creation of an Internet clearinghouse for locally- and state-translated documents that districts give to parents regarding their students' education (i.e., testing notifications, expulsion notices, etc.) The clearinghouse currently has 70 documents.)
- **State special schools** – CDE proposes an additional position for its State Special Schools Division.
- **Categorical program reporting** – CDE is requesting funding and a position to help it comply with reporting requirements created by categorical reform legislation, AB 825 (Firebaugh), approved several years ago.
- **Information Security Officer** – CDE is requesting funding for a new position to oversee CDE's information technology security policies.

Other CDE state operations issues already heard. The following is a list of CDE state operations issues already heard by the subcommittee in previous hearings:

- CALPADS -- 1 position and \$940,000 in General Fund.
- Prop. 49 -- \$1.2 million General Fund + 9 positions
- State special schools – various augmentations.

ISSUE 6: APRIL DOF LETTERS – ADJUSTMENTS DUE TO FEDERAL BUDGET CUTS
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The issues for the subcommittee to reconsider are numerous adjustments proposed by DOF in their April letters, mostly to reflect the reduction in federal education funds in the latest federal budget.

BACKGROUND:

The Governor proposes numerous adjustments to the January 10 budget, to reflect across-the-board cuts in education funding in the recently-approved federal budget. There are also adjustments to reflect modest increases in federal funding. These adjustments are as follows:

- 1) **Department of Education, State Operations (Issue 837).** It is requested that this item be decreased by \$1,715,000. The reduction, coupled with reductions to local assistance items, would align appropriation authority with anticipated federal grant amounts. This reduction reflects the following adjustments to specific programs:

a. Learn and Serve America (6110-102-0890):	-\$169,967
b. Neglected and Delinquent (6110-119-0890):	-\$4,360
c. Innovative Programs (6110-123-0890):	-\$1,000,000
d. Migrant Education (6110-125-0890):	-\$9,538
e. Even Start (6110-136-0890):	-\$239,254
f. Homeless Education (6110-136-0890):	-\$23,073
g. Safe and Drug Free (6110-183-0890):	-\$268,910

- 2) **6110-102-0890, Local Assistance, Federal Learn and Serve America Funding (Issues 579 and 580).** It is requested that this item be increased by \$563,000. This includes a reduction of \$257,000 to conform federal expenditure authority with available grant funding and an increase of \$820,000 to reflect one-time carryover funding to support additional local service learning activities.

- 3) **6110-103-0890, Local Assistance, Robert C. Byrd Honors Scholarship Program (Issue 885).** It is requested that this item be reduced by \$39,000 to align the appropriation authority with the anticipated federal grant. The Robert C. Byrd Honors Scholarship Program recognizes exceptional high school seniors who show promise of continued excellence in postsecondary education.

- 4) **6110-119-0890, Local Assistance, Neglected and Delinquent Children Program (Issue 831).** It is requested that this item be decreased by \$427,000 to align expenditure authority with available federal grant funding. These grants funds are used to address the education needs of neglected and delinquent children and to provide education continuity for children in state-run institutions for juveniles.

- 5) **6110-123-0890, Local Assistance, Title V Innovative Programs (Issue 247).** It is requested that this item be decreased by \$10,536,000 to make the amount consistent with the federal Title V Innovative Programs grant available for 2006-07. These grant funds are provided to districts to develop and implement innovative education programs intended to improve school, student, and teacher performance, including professional development activities.
- 6) **6110-125-0890, Local Assistance, Migrant Education Program (Issue 832).** It is requested that Schedule (1) of this item be decreased by \$935,000 to align appropriation authority for the Migrant Education Program with the anticipated federal grant. These grants funds are used to address the educational needs of highly mobile children whose family members are employed doing seasonal agricultural work. The program provides supplemental services to support the core academic program children receive during the regular school day.
- 7) **6110-126-0890, Local Assistance, Reading First Program (Issue 512).** It is requested that this item be decreased by \$1,598,000 to align appropriation authority with the anticipated federal grant award amount. The Reading First Program provides grants to use scientifically based programs to improve reading in kindergarten through grade 3.
- 8) **6110-136-0890, Local Assistance, Even Start Program, Title I Basic Program, McKinney-Vento Homeless Children Education Program, and Title I School Improvement Program (Issues 248, 513, 830, 834, and 835).**
- It is requested that Schedule (1) of this item be decreased by \$65,182,000. This adjustment includes a decrease of \$68,682,000 to align federal Title I Basic expenditure authority with the anticipated federal grant and an increase for one-time carryover funds of \$3.5 million for the Even Start program. The federal government has made a significant reduction in funding for the Even Start program for 2006-07 fiscal year, therefore the carryover funds will be used for existing Even Start projects to offset the reduction in the federal grant allocation.
- The Title I Grants assist local educational agencies and schools improve the teaching and learning of children failing, or most-at-risk of failing, to meet state academic standards. The Even Start program provides funds to improve the educational opportunities of low-income families, by integrating early childhood education and parenting education into a unified family literacy program.
- It is further requested that Provision 6 of this item be added as follows to conform to this action:

6. Of the funds appropriated in Schedule (1), \$3,500,000 is available as a one-time carryover from prior years for the Even Start program.

- It is further requested that Schedule (2) of this item be increased by \$189,000. This adjustment reflects one-time carryover funds of \$500,000, which resulted from grantees not fully expending their allocations, and a decrease of \$311,000 in the McKinney-Vento Homeless Children Education federal grant. These funds will be allocated on a competitive basis to supplement homeless children education programs. These programs ensure that homeless students receive the same educational opportunities as other students.
- It is further requested that Program 7 of this item be added as follows to conform to this action:

7. Of the funds appropriated in Schedule (2), \$500,000 is provided in one-time carryover funds to support the existing program.

- It also is requested that Schedule (3) of this item be decreased by \$2,127,000 to align expenditure authority with federal Title I School Improvement funding. These grant funds assist districts with developing and implementing school reform efforts aimed at increasing student academic performance.
- It is requested that Provision 5 of this item be amended as follows to conform to this action:

“5. Of the funds appropriated in Schedule (3), ~~\$29,240,000~~ \$27,113,000 shall be available pursuant to Article 3.1 (commencing with Section 52055.57) of Chapter 6.1 of Part 28 of the Education Code, for Title I district accountability.”

9) **6110-137-0890, Local Assistance, Rural/Low Income School Program (Issue 836).** It is requested that this item be increased by \$239,000 to align expenditure authority with the anticipated federal grant. These grant funds are used to address the needs of rural, low-income schools.

10) **6110-180-0890, Local Assistance, Education Technology Program (Issue 644).**

- It is requested that this item be decreased by \$29,728,000 to reflect a decrease in funding for the federal Enhancing Education Through Technology Grant Program. The program provides funds to improve student academic achievement through the use of technology in schools. The federal budget proposes to eliminate this program by 2007-08.

- It is further requested that Provisions 1, 2 and 3 of this item be amended as follows to conform to this action:

“1. Of the funds appropriated in this item, ~~\$31,140,000~~ \$16,662,000 is for allocation to school districts that are awarded formula grants pursuant to the federal Enhancing Education Through Technology Grant Program.

2. Of the funds appropriated in this item, ~~\$31,140,000~~ \$16,662,000 is available for competitive grants pursuant to Chapter 8.9 (commencing with Section 52295.10) of Part 28 of the Education Code and the requirements of the federal Enhancing Education Through Technology Grant Program including the eligibility criteria established in federal law to target local educational agencies with high numbers or percentages of children from families with incomes below the poverty line and one or more schools either qualifying for federal school improvement or demonstrating substantial technology needs.

3. Of the funds appropriated in this item, ~~\$1,473,000~~ \$701,000 is available for the California Technology Assistance Project (CTAP) to provide federally required technical assistance and to help districts apply for and take full advantage of the federal Enhancing Education Through Technology grants.”

11) 6110-183-0890, Local Assistance, Safe and Drug-Free Schools and Communities Program (Issues 886 and 888).

- It is requested that this item be decreased by \$6,453,000. This adjustment includes one-time carryover funds of \$2,209,000 and an \$8,662,000 decrease to align expenditure authority with the anticipated federal grant. The Safe and Drug Free Schools and Communities Program support activities that prevent violence and illegal drug use on school campuses.
- It is further requested that the following provisional language be added to conform to this action:

2. of the funds appropriated in this item, \$2,209,000 is provided in one-time carryover funds to support the existing program.

COMMENT:

State operations reduction is substantial. Staff notes that the \$1.7 million reduction to CDE's state operations budget was a result of the federal cuts is a substantial hit. CDE indicates that it can operate during the 2006-07 fiscal year using one-time carryover funds to partially backfill this cut. Therefore, the main effect of the reduction will be felt by CDE in 2007-08, unless remedied by the budget.

Staff notes that the biggest federal reductions were in the Even Start program and the Education Technology program.

ISSUE 7: APRIL DOF LETTERS – OTHER ADJUSTMENTS

The issues for the subcommittee to reconsider are various miscellaneous adjustments proposed by DOF in their April letters amending the proposed budget.

BACKGROUND:

In an April letter, DOF proposes the following amendments to the January 10 budget:

- 1) **Review of Native American Instructional materials.** Reappropriate \$50,000 in General Fund that was provided to CDE to review the California Native American Instructional materials for alignment to the state History and Social Sciences standards. Chapter 870, Statutes of 2001 (SB 41 (Alpert)) established a competitive grants program for the development of educational materials on California Native American history, culture, and tribal sovereignty for use in grades K-12. The legislation also appropriated \$100,000 to CDE to review these materials to ensure their alignment with state standards. Development of those materials took longer than anticipated, and CDE was unable to complete the review before the funds were reverted. The administration is proposing to reappropriate the unused funds so that CDE can continue to use them to support the review.
- 2) **Special education technical correction.** DOF requests the deletion of provision 3 of item 6110-161-0890. It was inadvertently included in this item. The provision is currently included in item 6110-161-0001. The provision pertains to personnel development plans for SELPA's.
- 3) **State Special Schools Capital Outlay for gymnasium and pool in the California School for the Deaf in Riverside.** DOF requests that the amount in item 6110-301-0660 be decreased by \$773,000 to reflect a revision to the request for a gymnasium and pool center at the California School for the Deaf in Riverside. The adjustment reflects the cost to build a new gymnasium and pool center rather than renovate the current facility. The proposed reduction would leave \$24,963,000 for the project.
- 4) **Seismic renovations at the California School for the Deaf in Riverside.** DOF requests that the amount in item 6110-301-0660 be increased by \$4.4 million to provide for extensive seismic modifications not anticipated for a renovation project for the kitchen and dining hall and the California School for the Deaf in Riverside. The proposed increase would mean a total appropriation level of \$8,834,000 for the project.

ISSUE 8: ECONOMIC IMPACT AID

The issues for the subcommittee to consider are:

- Findings and recommendations from the LAO on the existing Economic Impact Aid (EIA) funding formula.
- Evidence that districts are utilizing flexibility provisions under control section 12.40 to transfer funds out of EIA into other programs unrelated to the primary purpose of EIA.

BACKGROUND:

Governor's budget. The Governor's budget proposes a total funding level of \$648 million for the Economic Impact Aid program (EIA). This funding level constitutes an increase of \$61.3 million over last year's funding level to pay for a growth rate of 5% plus COLA. The Governor's budget does not propose any major funding or policy changes to EIA funding. EIA funding goes to school districts to support compensatory education services for low-performing, economically disadvantaged and English learner students. EIA is the biggest state program supporting these goals.

LAO findings on the EIA funding formula. In its Analysis of the Budget, the LAO finds the following problems with the existing EIA formula:

- **The formula does not reflect current school demographics**, because it uses CalWORKs participation as a measurement of student poverty. While student poverty rates have remained steady or grown over the years, the number of students on CalWORKS has declined in recent years, due to restrictions on the number of years families can participate in CalWORKS.
- **The formula's complexity leads to arbitrary and unpredictable district allocations.** The LAO notes that districts with similar populations can receive very different EIA allocations. In addition, a district's EIA funding may unexpectedly decline from year-to-year, even if it has increases in the proportion of English learners and economically-disadvantaged students.
- **The CalWORKs data needed for the formula is not available.** CDE has traditionally relied on the Department of Social Services (DSS) to provide the CalWORKs data it needs to run the EIA formula. Two years ago, DSS stopped providing this data to CDE because of DSS' department-wide efforts to improve the security and confidentiality of personal data. Since that date, CDE has used CalWORKs data from 2004 to run the EIA formula.

Options for addressing LAO-identifying problems. The LAO identifies the following options for addressing the problems it identifies: 1) Resolve data issues with DSS, 2)

Use a different measure of poverty, such as Title I counts, free or reduced priced meals or parental education level. 3) Remove poverty from the formula (staff recommends against this option).

The LAO will be present at today's hearing to present their findings and recommendations.

Transfers out of EIA due to provisions of control section 12.40. Control section 12.40 allows districts to transfer up to 10% of the funding from any one categorical program into another categorical program, as long as the total increase to any one program does not exceed 15% of the base of the receiving program. The programs that are subject to these flexibility provisions are the following, along with proposed funding levels for 2006-07, according to an April DOF letter that clarified the programs that the administration intends for the section:

- Home to School Transportation (\$546.9 million)
- Educational Services for Foster Youth (\$10 million)
- Specialized Secondary Programs (\$5.9 million)
- Gifted and Talented Pupil Program (\$48.9 million)
- Economic Impact Aid (\$648 million)
- Agricultural Vocational Education Incentive Program (\$5 million)
- Educational Technology – CTAP (\$16.9 million)
- Bilingual Teacher Training (\$2.1 million)
- Child Nutrition Programs (\$89.7 million)
- Teacher Dismissal Apportionments (\$45,000)
- Year-Round School Grant Programs (\$93.1 million)

As a condition of using the flexibility provisions allowed under control section 12.40, districts must report to CDE on the amounts they shift between programs. The most recent data available on these shifts is from 2004-05, when there were a larger number of programs in the control section – many of these programs were subsequently taken out of the control sections when they were placed into block grants by categorical reform legislation (AB 825 (Firebaugh)). The table below summarizes the statewide net amounts transferred in and out of the programs included in the control section in 2004-05. (The amounts transferred in and out of the different programs differ by district.)

As noted in the table, there were more transfers out of EIA than transfers into EIA. The table also shows that Economic Impact Aid was the biggest net "donor" program, accounting for the biggest net amount of funding transferred out of programs. Home to School transportation was the biggest net beneficiary of the control section, accounting for the biggest net amount of funding transferred into programs. While many of the programs listed in the table are no longer in the control section because they were included in the categorical block grant reform legislation, these two programs are still included in the control section. Unlike programs that were block granted pursuant to AB 825, these two programs do not share programmatic goals. When the Legislature appropriates a certain funding level for English learners and poor students through EIA,

does it intend for a portion of those funds to be used for transportation? If the Legislature wishes to provide funding flexibility, isn't it more appropriate to provide that flexibility through the new categorical block grants, and not through a control section that includes unrelated programs?

2004-05 Statewide Categorical Flexibility Transfers per Control Section 12.40

Program	Net transfers in	Net transfers out	Grand Total (Net amount transferred)
Unrestricted	\$6,055,175	(\$8,693)	\$6,046,482
Child Nutrition: School Programs	95,117	(1,288,982)	(1,193,865)
Agricultural Vocational Incentive Grants		(42,051)	(42,051)
Targeted Instructional Improvement Grants Program (TIIG)	2,048,020	(232,276)	1,815,744
Dropout Prevention: Educational Clinics	77,942		77,942
Dropout Prevention: Implementation Model		(7,560)	(7,560)
Dropout Prevention: Alternative Work Centers	8,837	(22,800)	(13,963)
Dropout Prevention: Motivation/Maintenance	12,953	(185,454)	(172,501)
Economic Impact Aid (EIA)	90,250	(6,221,410)	(6,131,160)
Economic Impact Aid: Limited English Proficiency (LEP)	24,170	(10,204,856)	(10,180,687)
Education Technology: CTAPS, SETS, & Supplemental Grants	901,743	(58,098)	843,645
Education Technology: Staff Development		(1,032)	(1,032)
Gifted & Talented Education (GATE)	915,318	(1,352,284)	(436,966)
Transportation: Home to School	16,799,480	(399,898)	16,399,582
Transportation: School Bus Replacement	6,918	(210)	6,708
Transportation: Special Education	7,793,234	(56,464)	7,736,769
School Improvement Program (SIP)	1,173,018	(14,578,649)	(13,405,631)
School Improvement Program (optional)	134,057	(650,532)	(516,475)
California Peer Assistance & Review Program for Teacher	122,336	(552,012)	(429,676)
Staff Development: Intersegmental Teacher Institutes		(10,455)	(10,455)
Supplementary Programs: Foster Youth		(93,658)	(93,658)
Supplementary Programs: Foster Youth in LCI's		(8,553)	(8,553)
Supplementary Programs: Specialized Secondary	5,250		5,250
Tenth Grade Counseling	33,157	(321,047)	(287,890)
Grand Total	\$36,296,973	(\$36,296,973)	0

COMMENT:

California's level of funding for compensatory education is low compared to other states. As part of its work for the Assembly Education Committee Working Group on Education Finance, the LAO compared the amount of funding that California provides for compensatory education (the main source being EIA), with what other states provide for the same purpose. It found that California provides less funding for these purposes, on a percentage basis, than other states, despite the fact that California's population of English learners and economically disadvantaged students makes up a larger proportion of its students than in other states.

The Assembly Education Committee Working Group on Education Finance considered the LAO's recommendations for changing the Economic Impact Aid formula, and makes its own recommendations for changing the formula (see issue below).

**ISSUE 9: RECOMMENDATIONS OF THE ASSEMBLY EDUCATION COMMITTEE
WORKING GROUP ON EDUCATION FINANCE**

The issues for the subcommittee to reconsider are the recommendations of the Assembly Education Committee Working Group on School Finance. At an earlier hearing, Assemblymember Goldberg requested that the working group present its findings and recommendations to the subcommittee. The recommendations are contained in AB 2531, which was passed with bi-partisan support by the Assembly Committee on Education.

BACKGROUND:

In February of this year, the Assembly Education Committee convened three working groups to tackle pressing issues before the state's education system. The first of these was the Working Group on School Finance. The working group studied a number of statewide finance issues and eventually made recommendations on the following issues listed below. These recommendations are contained in AB 2531, and are explained in greater detail in Appendix A.

1. **Changing to a grade-span revenue limit system.** The working group notes a number of shortcomings in the current revenue limit funding system, and recommends that the state move from the current system, in which districts receive funding based on their size and type (unified, elementary, etc.), to a new system, where districts receive a different level of funding for each type of student, based on his or grade level. For example, a unified district would no longer receive the same "unified" revenue limit for all students, but would rather receive funding based on the number of pupils in grades K-5, the number in grades 6-8 and the number in grades 9-12. The new formula would establish a new base rate, and provide funding for students in grades K-5 at 100% of the base rate, students in grades 6-8 at 104% of the base rate, and students in grades 9-12 at 120% of the base rate. The state would transition to the new system by calculating a new base rate for each district based on its existing funding level, thereby holding districts harmless from the change in formula. To equalize districts' base rates, it would create an equalization target similar to the existing equalization target under which 90% of all statewide ADA falls.
2. **New EIA funding formula.** The working group recommends changing the current formula to use Title 1 eligibility as the measure of poverty. Pupils that are both Title I eligible and English learners would be counted twice for purposes of the formula (similar to the existing formula. School districts with high concentrations of EIA eligible pupils (pupil counts equal to more than 50% of the students in attendance) would be eligible to receive additional funding in recognition of that concentration. The new formula would hold districts harmless for the change to the new formula, by creating new base rates based on districts' existing allocations. The new formula would also contain an equalization formula, similar to school district revenue limit equalization, for school districts

eligible for additional funding under the formula that would, over time, lead to a more equitable allocation of resources in support of EIA eligible pupils.

3. **Declining enrollment adjustment.** The working group recommends a revenue limit adjustment for school districts that are both experiencing declining enrollment and below the revenue limit equalization targets. The adjustment would be limited to the equivalent of a maximum 5% annual decrease in average daily attendance. LAO estimates that at least 80% of declining enrollment districts would be eligible for this adjustment, with about 40% reaching the equalization target in the first year.
4. **Relieving funding-based operational restrictions on school districts** To address this problem, the working group recommended separate legislation that would implement a pilot program of pupil-weighted allocations of state aid and increased school district flexibility. School districts eligible for this flexibility would include (1) school districts in program improvement under the provisions of the No Child Left Behind Act (NCLB) with at least 50% of their schools in deciles 1, 2, or 3 on the state Academic Performance Index; and (2) school districts participating in the SB 1053 (Scott) Local Improvement pilot project.

COMMENT:

Staff notes that implementing the new formulas in the first two proposals above would not have immediate costs. However, if the Legislature adopts these proposals it may wish to set aside some funding this year or in the future to equalize funding between districts.

Funding gap exists between well-off children and economically-disadvantaged children. A recent study by the Public Policy Institute of California examined the achievement gap between low-income children and moderate-to-high-income children. The same study highlighted the challenges that schools with high numbers of poor children have in meeting the state's standards, and suggests the need for more resources for these schools. To quote the report, School Resources and Academic Standards in California: Lessons from the Schoolhouse,

The strong link between student poverty and low academic achievement suggests that schools with many low-income students may need more resources to reach the state's academic performance goals.

In its examination of the budgets of the 49 schools, it found that while high-poverty schools received more state and federal categorical funds to address the achievement gap, those additional funds were more than offset at the high-poverty schools by lower expenditure rates of general purpose funds that go to all schools, and that the lower expenditures were the result of a) lower experience levels among teachers at the high-poverty schools, and b) larger class sizes at the high-poverty schools. This suggests that while high-poverty schools receive additional funds in some areas to help them address the achievement gap, they also receive fewer resources in other areas. This evidence, as well as the increased pressure under the federal *No Child Left Behind Act* for the state to improve performance at all schools, suggests the need for additional resources to be targeted to these high-poverty schools.

ISSUE 10: RECOMMENDATIONS OF THE ASSEMBLY EDUCATION COMMITTEE WORKING GROUP ON STANDARDS, ACCOUNTABILITY AND INSTRUCTION

The issues for the subcommittee to consider are the recommendations of the Assembly Education Committee Working Group on Standards, Accountability and Instruction.

BACKGROUND:

AB 2115 contains the recommendations of the working group for which there was bipartisan agreement. These include:

1. The establishment of a Career Technical Education Coordinating Council to identify state and federal career education programs in kindergarten and grades 1-12 schools and to recommend to the Governor and the Legislature ways to coordinate programs and funding streams in order to enhance the effectiveness and economy of those programs. It requires the council to identify barriers to the articulation of K-12 programs with the programs of various state institutions of higher education, and to link K-12 programs with community college certificate and degree programs. It requires the council to make recommendations regarding the credential requirements and instruction for various CTE programs.
2. The creation of Electronic Materials Site Licenses which requires a publisher or manufacturer of electronic materials to provide a site license to the purchasing school or district to reproduce up to 10% of the materials to replace lost or damaged materials.

COMMENT:

Appendix B contains the staff report on the recommendations of the Assembly Education Committee Working Group on Standards, Accountability and Instruction.

ISSUE 11: RECOMMENDATIONS OF THE ASSEMBLY EDUCATION COMMITTEE WORKING GROUP ON ENGLISH LEARNERS

The issues for the subcommittee to consider are the recommendations of the Assembly Education Committee Working Group on English Learners. The subcommittee heard this issue at an earlier hearing.

BACKGROUND:

English learner population in California's K-12 public school system. Of the approximate 6 million students in the state's public school system, 1.6 million (or about one-fourth) are English learners, using the most recent data available from CDE (2004-05). Among elementary school students, English learners make up one-third of the population. Demographic projections indicate that we will have more English learners in the years to come, and more will be in the secondary grades in the near future.

Although English learners come from more than 50 language backgrounds, 85% of all English learners are Spanish-speaking. Nevertheless, most schools in California serve more than one language group, and 44% of schools in California have English learners from at least six language backgrounds, according to information from the UC Linguistic Minority Research Report.

English learners attend school in a variety of instructional settings. Districts report that the vast majority (85%) of all English learners are placed in a) either mainstream English classrooms with some sort of additional support, or b) enrolled in structured English immersion settings in which they receive instruction in English that is supposed to be designed to meet their linguistic needs. Less than 10% of English learners are enrolled in bilingual instruction classes.

According to a five-year study commissioned by CDE, Effects of the Implementation of Proposition 227 on the Education of English learners, K-12 by the American Institutes for Research, the achievement gap between English learners and their monolingual English-speaking peers has changed little since the passage of Proposition 227 over seven years ago. English learners still lag behind their monolingual English-speaking peers in mastering state standards.

Capacity of the system to address English learners' needs. The AIR study on Proposition 227 examined schools and districts that had proven success in teaching English learners, and interviewed administrators regarding what they believed to be the predominant features of successful schools. Of the four features identified by administrators, the first was "staff capacity to address English learner needs," yet California's teachers appear to be *unequipped to address these needs*. According to information from the Center for the Future of Teaching and Learning, 80% of teachers are responsible for instructing English learners, yet half of California's teachers lack specialized training to teach these students. In addition, a 2005 survey of teachers of English learners by the same center found a severe lack of professional development

that addresses the specific instructional needs of English learners. Teachers with more than 26% English learners in their classes reported that in the past five years they had very little or no professional development focused on how to teach English learners. What little professional development they had during that time was often of poor quality, and led by presenters with very limited knowledge of the subject. To quote the study, “they described attending professional development in which attention to how they could adapt the curriculum to English learner students was an afterthought on the part of in-service developers and clearly not the area of the presenters’ expertise.”

Recommendations from the Assembly Education Committee Working Group on English Learners. The Assembly Education Committee Working Group on English Learners met several times over the past month and developed a list of recommendations to address the chronic achievement gap between them and their monolingual English-speaking peers. The complete list of the recommendations is in Appendix C. They are contained in AB 2117 (Goldberg, Coto) and AB 1988 (Coto), as proposed to be amended. The major recommendations do the following:

- 1) Identify successful English learner programs statewide and study them to identify best practices, with the ultimate goal of disseminating this information to school districts to help them address the achievement gap among English learners.
- 2) Create professional development programs and technical assistance for teachers of English learners to address the apparent lack of professional development and training specific to the particular learning needs of English learners.
- 3) Provide testing accommodations for English learners to address the current shortcomings with the state's testing system as it is applied to English learners.
- 4) Develop a curriculum (instructional materials) that integrates both the Reading/Language Arts academic standards and the English Language Development standards, to address the concerns from some administrators that the current materials a) don't adequately address the instructional needs of English learners b) require them to be inefficient with their instructional minutes.

COMMENTS:

Potential cost of training teachers of English learners. Staff notes that if the state were to provide English learner-specific professional development to all teachers that serve currently English learners (80% of all teachers), at the rate (\$2,500 per teacher) that it funds professional development through the Reading/Language Arts and Math instructional materials (AB 466 training), it would need to spend more than half a billion dollars.

6255 CALIFORNIA STATE SUMMER SCHOOL FOR THE ARTS

ISSUE 1: TOTAL BUDGET

The issue for the subcommittee to consider is the Governor's proposed funding level for the program.

BACKGROUND:

Governor's budget. The Governor's budget proposes a total funding level of \$805,000 in General Fund and \$1,170,000 in special deposit funds (fees) for the support of the program. He proposes no major changes in funding for the program for the 2006-07 fiscal year.

The California State Summer School for the Arts provides a training ground for artistically gifted and talented students to receive intensive instruction in the arts. The program provides a four-week residential summer program in the following areas of instruction: animation, creative writing, dance, film/video, music, theater arts, and visual arts. High school students are competitively selected to participate. State funds support contracts with arts faculty, instructional equipment and materials, classroom rentals and staff costs.

COMMENT:

Advocates for the State Summer School for the Arts are arguing for an augmentation of the program, in order to lower tuition for the program from the current level of \$2,400 to \$1,350. The cost of this proposal is \$676,000.

Appendix A: Report of the Assembly Education Working Group on School Finance

AB 2531, passed unanimously by the Assembly Committee on Education, is one of three bills that mark the culmination of the efforts of working groups convened by the committee in February 2006. The working groups were tasked with reviewing issues and proposing legislation to address those issues in three major K-12 education policy areas. This bill, the product of the School Finance working group, makes changes to the current system of financing schools:

Revenue limit equalization and grade-span based funding

Background. School districts receive most of their general purpose funding through the revenue limit formula. Each school district has a base revenue limit per pupil, derived initially from historical funding levels. Once established, the revenue limits became the basis to begin the process of reducing to “insignificant levels”¹ differences in general-purpose (unrestricted) funding per pupil. For the purpose of assessing the level of equity among school districts, they were categorized in two ways: by type of school district – high school, unified, or elementary; and by size – small or large.

Distinguishing school districts by size was intended to remove the effect of small school districts that had the greatest variation in per pupil funding. Type of school district was a distinguishing factor because historically the cost of instruction for elementary grades was less than for secondary grades. This difference was not subject to the Serrano court mandate to equalize per pupil funding because it wasn’t based on district wealth, but on actual differences in the cost of instruction. Those differences are implicit in the revenue limit funding levels as they exist today. High school districts on average have higher revenue limits per pupil than elementary school districts. Unified school districts fall somewhere between elementary and high school districts, reflecting their mix of both elementary and secondary pupils.

Why change the revenue limit system? The School Finance working group noted four shortcomings in the current revenue limit funding system:

- 1) When looking at a difference in revenue limits between any two school districts of different type, it is impossible to tell how much of the difference is due to intended differentials “built into” the revenue limit in recognition of differing grade levels served by the school districts and how much, if any, is due to unintended differences in per pupil funding – those differences that were to become insignificant according to the *Serrano* ruling. Providing funding based on type of school district lacks both transparency and simplicity, two goals of school finance reform as set out by the Joint Committee to Develop a Master Plan for Education (2000).

¹ The *Serrano* court required the practical elimination of wealth-related differences in general-purpose per pupil revenues among school districts, defined at the time of the decision as significantly less than \$100 per pupil.

- 2) Segregating school districts by size initially served the purpose of reducing distortions in the equalization targets set for the majority of school districts. However, as a policy it confounds school district funding with the higher costs of operating small schools. The result is an unintended incentive for some school districts to stay small, when the actual cost differential addressed through a separate funding formula is the higher cost of operating small schools, regardless of a school district's size.
- 3) The existing revenue limit system provides general-purpose funding to school districts in two ways – through a school districts base revenue limit and through a series of revenue limit “add-ons” that are provided to school districts for a variety of reasons, but which are unrestricted in their use. Legislative Analyst's Office (LAO) staff has previously noted that revenue limit add-ons can create hidden differences in per pupil funding that are not recognized in traditional equalization measures.
- 4) The current system does not account for the change in cost for services provided by unified school districts that results from changes in the relative distribution of students among grade levels. If the number of high school students increases relative to the number of elementary students, then the average cost per pupil for the school district increases. Conversely, if the reverse is true then the average cost per pupil for the school district decreases. In either case, the per pupil revenue limit does not change.

What AB 2531 does. This bill corrects, beginning in fiscal year (FY) 2007-08, the revenue limit shortcomings identified above in the following ways:

- Recalculates revenue limits for school districts by assigning pupil weighting factors, based on existing differentials in average funding among school districts of different types, to account for differences in costs among grade levels. This eliminates distributional distortions for unified school districts, makes transparent the differential in funding for different grades that is implicit in our current system, and most importantly establishes a basis for equalizing base revenues per pupil that is truly comparable across all school districts, regardless of type.
- Includes revenue limit add-ons in recalculated base revenues per pupil. As recommended by the LAO, included add-ons provide largely unrestricted funding for school districts: Increased instructional time incentives, beginning teacher salary incentives, adjustments for unemployment insurance costs, Meals for Needy Pupils program allocations, and PERS employer contribution offsets.
- Eliminates funding-based size distinctions among school districts. The working group instead recommended assuring that appropriate funding is provided through the existing small school funding formula to account for increased costs legitimately attributable to smaller size.

State assistance for economically disadvantaged students and English learners – the Economic Impact Aid (EIA) Program

Background. The formula for allocating EIA funding depends on data that is no longer available. Because of the complexity of the existing formula, even if all the necessary data is available, year-to-year funding allocations are difficult to predict. Finally, the implicit weights in the formula are predicated on a distribution of children in poverty and English learners that does not reflect current circumstances. Therefore, the School Finance working group sought to identify credible and current data sources that could be used to update the formula, to simplify its calculation, and to equalize per pupil EIA allocations among school districts based on a revised funding formula.

What AB 2531 does. This bill revises the EIA formula, effective with FY 2006-07, in the following ways:

- Uses Title 1 eligible pupil counts as the measure of students in poverty, and pupils that are eligible for English learner services as the measure of English Learners.
- Pupils that are both Title 1 eligible and English Learners are counted twice.
- School districts with high concentrations of EIA eligible pupils (pupil counts equal to more than 50% of the students in attendance) receive additional funding in recognition of that concentration.
- Maintains existing allocations of per pupil funding for school districts that would otherwise receive less under the new formula.
- Establishes an equalization formula, similar to school district revenue limit equalization, for school districts eligible for additional funding under the formula that would, over time, lead to a more equitable allocation of resources in support of EIA eligible pupils.

The School Finance working group recommends that, when the state appropriates funding for school district equalization, it provide funds to improve equity for both revenue limits and Economic Impact Aid.

Mitigating the impact of declining enrollment

Background. According to LAO staff, more than four of every 10 school districts experienced declining enrollment in 2003-04, and that number is growing annually. Current law only protects school districts from the impact of funding losses due to declining enrollment for one year, which is often not enough time to implement necessary changes. Persistent annual declines of enrollment are particularly difficult for school districts to accommodate, resulting in an environment of continual program cuts.

One of the LAO recommendations to address the inadequacy of the existing declining enrollment adjustment is to incrementally increase per-pupil revenue limits for declining enrollment districts until they reach state equalization targets. This allows these districts to maintain their total revenue limit funding levels in the face of declining enrollment, and helps achieve the state policy goal of equalizing revenue limits at the same time. After this goal is reached, districts with continuing declines would take advantage of the funding adjustments for declining enrollment that are in current law.

What AB 2531 does. This bill establishes a revenue limit adjustment for school districts that are both experiencing declining enrollment and below the revenue limit equalization targets. The adjustment is limited to the equivalent of a maximum 5% annual decrease in average daily attendance. LAO estimates that at least 80% of declining enrollment districts would be eligible for this adjustment, with about 40% reaching the equalization target in the first year.

For the incremental decline that exceeds 5% and for districts with revenue limits per pupil that are above the equalization targets the declining enrollment adjustment in current law would continue to provide some relief.

The working group recognized that, instead of the existing single year adjustment, a multi-year adjustment for persistent declines in enrollment would better meet the needs of school districts that must adjust their operations and instructional program because of funding losses. For this reason, the School Finance working group recommends approval of and funding for a multi-year declining enrollment adjustment, enacted in separate legislation, such as SB 954 (Simitian).

Relieving funding-based operational restrictions on school districts

The Education Committee and the School Finance working group heard testimony favoring relieving school districts of many of the restrictions placed on categorical funds, and improving the transparency of the funding system by taking two steps: Implementing a weighted-pupil funding system to allocate funds to school districts with some assurance that the resources supported by those funds would follow the students, and providing school districts with the opportunity to implement a more flexible or decentralized administrative structure.

The School Finance working group recommended separate legislation that would implement a pilot program of pupil-weighted allocations of state aid and increased school district flexibility. School districts eligible for this flexibility would include (1) school districts in program improvement under the provisions of the No Child Left Behind Act (NCLB) with at least 50% of their schools in deciles 1, 2, or 3 on the state Academic Performance Index; and (2) school districts participating in the SB 1053 (Scott) Local Improvement pilot project.

Appendix B: Staff report on the recommendations of the Assembly Education Committee Working Group on Standards, Accountability and Instruction

The Standards, Accountability, and Instruction Working Group heard testimony on a variety of issues. They discussed these issues at length with stakeholders. The issues that were agreed on were:

- Purchase by the state of high quality online data bases to supply at no cost to school libraries;
- A process for the periodic review of the content standards;
- A modification of the textbook adoption process;
- Policy for the replacement of lost or damaged electronic instructional materials; and
- The establishment of a career technical education committee to oversee and coordinate career technical education programs and funding sources.

The final version of AB 2115 contains two of those issues.

The instructional materials adoption process required instructional materials (IM) adoption to be an ongoing process that vastly simplified the current process so that many more materials could be reviewed and adopted. It required the reviewers to submit a review and the publishers to submit a standards map. Textbook adoption is a one-size-fits-all process that does not allow for California's schools' diverse and unique needs. Only a few publishers can compete in the California market; many California publishers, who sell their books to schools nationwide, are squeezed out to the California market by our adoption process. Only a few states are adoption states, interestingly enough the largest market states, and those adoption states are among the lowest scoring states in math and reading on the National Assessment of Educational Progress (NAEP). The highest scoring states leave the selection of IM to their schools.

In addition, the state requires schools to purchase state adopted materials. The state supplies districts with about \$56 per pupil and the average book costs between \$50 and \$85 according to the State Department of Education. Some of the K-3 reading materials cost \$125 per pupil. Because there is a new core material adoption four years of the six year adoption cycle, schools can never save up and never catch up with the game.

The **content standards review process** called for the content standards for English and math to be reviewed, consistent with the adoption cycle, every twelve years beginning in 2013 instead of every six years. English and math are two core subject areas that do not change as frequently or as drastically and social science and science.

The social science and science standards would be reviewed, and if necessary, revised every six years.

In a legislative counsel opinion, they found that no one has the authority to change the content standards, ever. Under current conditions no books will include information on September 11. The estimation that the knowledge content of science doubles every six months means that there is a huge body of knowledge which can never be included in instructional materials.

In addition, the eight year field-test of the current content standards has revealed a need for the standards to be aligned vertically, so that each grades builds off the prior grade, and that they be aligned horizontally so that students acquire the skills in one subject that they need to master another subject (math and science for instance). The working version of AB 2115 required that the standards be aligned in this way.

The current version of AB 2115 contains two parts:

1. The establishment of the **Career Technical Education_Coordinating Council** to identify state and federal career education programs in kindergarten and grades 1-12 schools and to recommend to the Governor and the Legislature ways to coordinate programs and funding streams in order to enhance the effectiveness and economy of those programs. It requires the council to identify barriers to the articulation of K-12 programs with the programs of various state institutions of higher education, and to link K-12 programs with community college certificate and degree programs. It requires the council to make recommendations regarding the credential requirements and instruction for various CTE programs.

There are a huge number of CTE programs funded by local, state, and federal funds and grants. They are not coordinated at any level, so whether or not students are able to take advantage of CTE programs is largely hit-or-miss. Students should have as large a variety of career and educational options as possible; public schools should supply CTE programs that can lead to actual jobs that pay living wages or better. Ideally, a student should graduate with the ability to continue his or her education, or enter the workforce in a meaningful capacity. CTE programs at comprehensive high schools are in a state of collapse. Career technical programs have become technology-dependent so that training equipment is frequently priced beyond the reach of most schools. The emphasis on A-G classes for college entry and supplemental instruction programs for high school graduation have placed heavy demands on the facilities and master schedules of most schools; CTE classes and teachers are the first to go. To salvage CTE for comprehensive high schools, extensive planning, coordinating, and articulation are going to be needed.

In a recent survey of high school dropouts conducted by the Gates Foundation, the vast majority of students who dropped out of high school reported that they did so because they did not see the point of school and they were bored. CTE programs may restore relevance for many of those students.

2. **Electronic Materials Site Licenses** which requires a publisher or manufacturer of electronic materials to provide with sets of purchased instructional materials a site license to the school or district to reproduce up to 10% of the materials to replace lost or damaged materials.

Currently publishers charge full price for lost or damaged CD-ROMs and electronic materials. When schools adopt and purchase instructional materials, they have already paid for the intellectual copyright, and should not have to pay for it again. Schools should only be required to pay the replacement cost for these materials. This is a policy that needs to be resolved as we move more and more to technology based instructional materials; publishers have already begun to force this policy on us.

Appendix C: Recommendations of the Assembly Education Committee English Language Learners Working Group

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Assembly Education Committee English Language Learners Working Group

Staff Development Policy Recommendations
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Teacher Preparation for knowledge & Skills to serve EL students:

- Implement a teacher preparation program dealing in depth with knowledge and skills needed to serve EL. Define instructional program clearly and develop tool to allow teacher candidates to demonstrate mastery. Revisit SB 2042 on CLAD credential requirements to ensure teachers understand and apply language acquisition knowledge & skills deeply.
- Significantly strengthen BTSA and other induction programs to ensure coaches have knowledge and skills to provide EL assistance to new teachers and include these as area of focus in the new teacher process. Teacher candidates demonstrate mastery prior to receiving clear credential.

Preparation of teachers to serve EL students:

- Institute State-wide comprehensive staff development program for teachers of English Learners (85% of California's teachers)
 - AB 1988 (Coto) is a pilot project developed with the University of California, which includes LA, SD, SB, SJ and SC COEs, creating data base of qualified trainers, building a data base of best instructional practices, trainers then developing strong program to deliver instruction, followed by delivering instruction in target districts and collecting data to demonstrate success and improve instruction.
- CTC to develop tools to assess teacher mastery, ensure reporting process of progress toward teacher proficiency in EL knowledge and skills.
- Create job embedded formats for teachers to build knowledge and skill base in working with EL (observation, demonstration teaching, focus groups, classroom scans)

School-wide effort

- Institute training in EL knowledge and skills for administrators and classified staff.

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**Assembly Education Committee
English Language Learners Working Group**

Reclassification/Redesignation Policy Recommendations

CELDT Testing

- There seems to be a "build up" of EL's in levels 4 and 5 but they are still not scoring high on CST's because they don't have the academic English. How can this issue be addressed?
- Require CDE and the State Board to revise AMO 1 so that it measures actual gains on CELDT. This would establish performance targets based on the percentage of students gaining a level from the previous year.

When, How and Who in the Redesignation Process

- Does the existing state-wide redesignation criteria need to be strengthened?
- CDE to annually collect and report data on redesignation, including criteria, number and percentage redesignated annually, success following redesignation, support programs offered, support programs utilized.

Bridge/Transition Program for Those Redesignated

- Consider expanding the use of the AVID Program as a bridge/transition program for redesignated EL students (a proven program with EL students).
- Assess bridge/transition programs currently in use throughout the State and beyond in determining best practices in building student success. What do we have?
- Provide added time for EL students to achieve academic English and rigorous content knowledge simultaneously (add 1 period to day of EL students = \$50 million).

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**Assembly Education Committee
English Language Learners Working Group**

Proposition 227 Waiver Policy Recommendations

Parental Notification:

A school district that has one or more pupils who are English learners shall inform in writing the parent or legal guardian of each of those pupils that the parent or legal guardian of each of those pupils that the parent or legal guardian the right to request a waiver.

The notice shall include but not be limited to options available for alternative classroom settings.

The notice shall be provided at the time the Home Language Survey is administered for newly enrolled students and at least once a year thereafter.

Accountability

The CDE will monitor the waiver process and filing by families.

The CDE will collect state-wide data about the numbers of waivers filed, approved and denied. Does CDE currently do this?

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**Assembly Education Committee
English Language Learners Working Group**

Curriculum and Instruction Policy Recommendations

Curriculum:

- Require an integrated Comprehensive Reading/Language Arts Program appropriate for EL's at beginning, early intermediate, and intermediate levels of English proficiency and is created based on both the ELD standards and the the ELA content standards .
- Identify success EL programs throughout California and beyond. Fund 50,000 California EL students in research based, developmental programs over three year period aimed at identifying best practices and collecting data around the work. The Hewlett Foundation has offered to spend \$4 million to \$5 million to study this work and publish the results.
- Provide Newcomer Programs for grades 5-12.

Instructional Materials

- Adopt a K-8 Language Arts & Reading textbook aimed at achievement of ELA standards but written for English Learners.
- Require all future language arts, reading and content area textbooks adopted to include ELD standards.
- Provide core curriculum materials and teacher materials for differentiating instruction in content areas in grades 6-12.

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**Assembly Education Committee
English Language Learners Working Group**

Assessment and CAHSEE Policy Recommendations

CAHSEE:

- Standardize the accommodations/modifications allowed for EL's.
- Print CAHSEE in two languages (English and other) presented side-by-side for top four second languages spoken in California (Spanish, Vietnamese, Chinese)
- Provide a pre-CAHSEE test in middle school and grade 9.
- Allow, as an alternative to passing CAHSEE, scores of basic or proficient on the CST to obtain a high school diploma.
- Postpone CAHSEE requirement for EL students that have been enrolled in California schools for less than 3 years.
- Postpone administration of CAHSEE until EL students score 4 or higher on CELDT
- Provide an extended day and year programs for those EL students identified as in danger of not passing the CAHSEE after their 10th grade year. (Too late)

Assessment:

- Require the standards-aligned primary language assessments to be used in the accountability system for the amount of time allowed under NCLB.
- Require all tests administered to EL's in English be modified for second language learners to reduce unnecessary linguistic complexity without reducing the rigor for the academics being tested.
- Appropriate more funds for further development of standards-aligned primary language assessments.